

Auditing Procedures Report

Issued under P.A. 2 of 1968, as amended.

Local Government Type <input type="checkbox"/> City <input type="checkbox"/> Township <input type="checkbox"/> Village <input checked="" type="checkbox"/> Other		Local Government Name Jackson Narcotics Enforcement Team	County Jackson
Audit Date 12/31/05	Opinion Date 3/14/06	Date Accountant Report Submitted to State: 4/26/06	

We have audited the financial statements of this local unit of government and rendered an opinion on financial statements prepared in accordance with the Statements of the Governmental Accounting Standards Board (GASB) and the *Uniform Reporting Format for Financial Statements for Counties and Local Units of Government in Michigan* by the Michigan Department of Treasury.

We affirm that:

1. We have complied with the *Bulletin for the Audits of Local Units of Government in Michigan* as revised.
2. We are certified public accountants registered to practice in Michigan.

We further affirm the following. "Yes" responses have been disclosed in the financial statements, including the notes, or in the report of comments and recommendations

You must check the applicable box for each item below.

- ☐ Yes ☒ No 1. Certain component units/funds/agencies of the local unit are excluded from the financial statements.
- ☐ Yes ☒ No 2. There are accumulated deficits in one or more of this unit's unreserved fund balances/retained earnings (P.A. 275 of 1980).
- ☐ Yes ☒ No 3. There are instances of non-compliance with the Uniform Accounting and Budgeting Act (P.A. 2 of 1968, as amended).
- ☐ Yes ☒ No 4. The local unit has violated the conditions of either an order issued under the Municipal Finance Act or its requirements, or an order issued under the Emergency Municipal Loan Act.
- ☐ Yes ☒ No 5. The local unit holds deposits/investments which do not comply with statutory requirements. (P.A. 20 of 1943, as amended [MCL 129.91], or P.A. 55 of 1982, as amended [MCL 38.1132]).
- ☐ Yes ☒ No 6. The local unit has been delinquent in distributing tax revenues that were collected for another taxing unit.
- ☐ Yes ☒ No 7. The local unit has violated the Constitutional requirement (Article 9, Section 24) to fund current year earned pension benefits (normal costs) in the current year. If the plan is more than 100% funded and the overfunding credits are more than the normal cost requirement, no contributions are due (paid during the year).
- ☐ Yes ☒ No 8. The local unit uses credit cards and has not adopted an applicable policy as required by P.A. 266 of 1995 (MCL 129.241).
- ☐ Yes ☒ No 9. The local unit has not adopted an investment policy as required by P.A. 196 of 1997 (MCL 129.95).

We have enclosed the following:

	Enclosed	To Be Forwarded	Not Required
The letter of comments and recommendations.	✓		
Reports on individual federal financial assistance programs (program audits).			✓
Single Audit Reports (ASLGU).			✓

Certified Public Accountant (Firm Name)

Rehmann Robson

Street Address

5800 Gratiot, PO Box 2025

City

Saginaw

State

MI

ZIP

48605

Accountant Signature

Rehmann Robson

Date

4/26/06

**JACKSON NARCOTICS
ENFORCEMENT TEAM (JNET)**

Jackson, Michigan

**FINANCIAL STATEMENT
AND
SUPPLEMENTAL INFORMATION**

**For The Year Ended
December 31, 2005**



REHMANN ROBSON

Certified Public Accountants

JACKSON NARCOTICS ENFORCEMENT TEAM (JNET)

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REHMANN ROBSON

Certified Public Accountants

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Independent Auditors' Report

March 14, 2006

To the Board of Directors
Jackson Narcotics Enforcement Team (JNET)
Jackson, Michigan

We have audited the accompanying statement of cash receipts and disbursements of the ***Jackson Narcotics Enforcement Team (JNET)*** (a cooperative of governmental agencies) for the year ended December 31, 2005. This financial statement is the responsibility of JNET's management. Our responsibility is to express an opinion on this financial statement based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the statement of cash receipts and disbursements is free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the statement of cash receipts and disbursements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the statement of cash receipts and disbursements. We believe that our audit provides a reasonable basis for our opinion.

As disclosed in Note 1, this financial statement was prepared on the cash receipts and disbursements basis of accounting, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America.

In our opinion, the statement of cash receipts and disbursements referred to above presents fairly, in all material respects, the cash receipts and disbursements of ***JNET*** for the year ended December 31, 2005, on the basis of accounting described in Note 1.

JACKSON NARCOTICS ENFORCEMENT TEAM (JNET)

Statement of Cash Receipts and Disbursements

For The Year Ended December 31, 2005

	Unrestricted Fund	Non- Adjudicated Forfeiture Fund	All Funds Combined
CASH RECEIPTS			
Seizures in custody	\$ -	\$ 87,794	\$ 87,794
Forfeitures:			
Transfer from the Non-Adjudicated Forfeiture Fund	66,055	-	66,055
Other	126,777	-	126,777
Contributions	295	-	295
Interest	6,747	-	6,747
Restitution	302	-	302
Bonds	-	9,224	9,224
Other income	4,053	-	4,053
TOTAL CASH RECEIPTS	204,229	97,018	301,247
CASH DISBURSEMENTS			
Forfeiture expense	10,310	-	10,310
Investigative expense	14,111	-	14,111
Contribution expense	10,000	-	10,000
Seized funds:			
Transfer to the Unrestricted Fund	-	66,055	66,055
Returned to claimant	6,272	1,700	7,972
Communications	8,234	-	8,234
Personnel	59,969	-	59,969
Training	2,085	-	2,085
Equipment	126	-	126
Utilities	5,257	-	5,257
Office supplies	11,366	-	11,366
Repairs and maintenance	9,336	-	9,336
Vehicle reimbursement	60,572	-	60,572
Vehicles	30	-	30
Prosecutor expense	539	-	539
Administrative	5,633	-	5,633
TOTAL CASH DISBURSEMENTS	203,840	67,755	271,595
EXCESS OF CASH RECEIPTS OVER CASH DISBURSEMENTS	389	29,263	29,652
CASH AND INVESTMENTS - Beginning of year	241,803	71,206	313,009
CASH AND INVESTMENTS - End of year	\$ 242,192	\$ 100,469	\$ 342,661

The accompanying notes are an integral part of this financial statement.

JACKSON NARCOTICS ENFORCEMENT TEAM (JNET)

Notes To Financial Statement

1. NATURE OF BUSINESS AND SIGNIFICANT ACCOUNTING POLICIES

The Jackson Narcotics Enforcement Team (JNET) (a cooperative of governmental agencies) was organized to create a cooperative unit of narcotics investigators comprised of personnel from municipal, county and state law enforcement agencies within the County of Jackson.

Basis of Accounting – The accompanying statement of cash receipts and disbursements has been prepared on the cash basis of accounting and is not intended to be a presentation in accordance with generally accepted accounting principles. Differences between the cash basis of accounting and generally accepted accounting principles include the following:

- Capital assets owned by JNET are recorded as disbursements rather than capitalized and depreciated.
- Receipts and disbursements are recorded when received or disbursed rather than on the accrual basis.
- Transfers of forfeiture monies between funds are recorded as receipts and disbursements rather than interfund transfers.

The funds of JNET are as follows:

Unrestricted Fund – The Unrestricted Fund is used to record cash receipts and disbursements related to the general operations of JNET. Included in cash receipts from forfeitures are transfers from the Non-Adjudicated Forfeiture Fund and allocations from other law enforcement agencies.

Non-Adjudicated Forfeiture Fund – The Non-Adjudicated Forfeiture Fund is a trust fund that accounts for cash seized from defendants upon arrest in accordance with the laws of the State of Michigan. This cash remains in trust until the ultimate settlement of the case, at which time the cash is transferred to the Unrestricted Fund, transferred to another governmental agency or returned to the defendant. All cash balances at December 31, 2005 in the Non-Adjudicated Forfeiture Fund pertain to active cases.

Seized property other than cash is not accounted for in the financial statement unless it is subsequently forfeited and converted to cash. Such cash receipts are accounted for in the Unrestricted Fund.

Donated Services – Substantial services related to the utilization of personnel and personal property are contributed by cooperating law enforcement agencies. The value of these services has not been recognized in the financial statement since the statement is prepared on the basis of cash receipts and disbursements. Any legal proceedings resulting from the actions of such personnel or the use of donated personal property are the responsibility of the donor agency.

JACKSON NARCOTICS ENFORCEMENT TEAM (JNET)

Notes To Financial Statement

2. CASH AND INVESTMENTS

JNET's cash and investments at December 31, 2005, are as follows:

	Unrestricted Fund	Non- Adjudicated Forfeiture Fund	All Funds Combined
Cash on hand	\$ 6,781	\$ 91,459	\$ 98,240
Bank checking account	6,650	-	6,650
Bank savings account	13,169	-	13,169
Cash on account with County Treasurer	<u>215,592</u>	<u>9,010</u>	<u>224,602</u>
Total cash and investments	<u>\$ 242,192</u>	<u>\$ 100,469</u>	<u>\$ 342,661</u>

The balance in the accounts of the bank was \$22,271, which was entirely covered by federal depository insurance. It is impractical to determine the bank and insured balance of the cash on account with the Jackson County Treasurer since this balance is part of a pooled account.

* * * * *



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March 14, 2006

To the Board of Directors
Jackson Narcotics Enforcement Team (JNET)
Jackson, Michigan

We have audited the statement of cash receipts and disbursements of ***Jackson Narcotics Enforcement Team (JNET)*** (a cooperative of governmental agencies) for the year ended December 31, 2005. Our audit was made for the purpose of forming an opinion on that financial statement. The supplemental information on page 6 is presented for purposes of additional analysis and is not a required part of the statement of cash receipts and disbursements. Such information has been subjected to the procedures applied in the audit of that financial statement and, in our opinion, is fairly stated in all material respects in relation to such financial statement.

SUPPLEMENTAL INFORMATION

JACKSON NARCOTICS ENFORCEMENT TEAM (JNET)
UNRESTRICTED FUND

Schedule of Cash Receipts and Disbursements
Budget and Actual

For The Year Ended December 31, 2005

	(Unaudited) Amended Budget	Actual	Variance Favorable (Unfavorable)
CASH RECEIPTS			
Forfeitures	\$ 160,000	\$ 192,832	\$ 32,832
Contributions	330	295	(35)
Interest	2,000	6,747	4,747
Restitution	150	302	152
Other income	250	4,053	3,803
TOTAL CASH RECEIPTS	162,730	204,229	41,499
CASH DISBURSEMENTS			
Forfeiture expense	7,000	10,310	(3,310)
Investigative expense	16,500	14,111	2,389
Contribution expense	10,000	10,000	-
Return to claimant	1	6,272	(6,271)
Communications	10,800	8,234	2,566
Personnel	66,458	59,969	6,489
Training	5,000	2,085	2,915
Equipment	1,250	126	1,124
Utilities	6,460	5,257	1,203
Office supplies	11,350	11,366	(16)
Repairs and maintenance	7,000	9,336	(2,336)
Vehicle reimbursement	70,000	60,572	9,428
Vehicles	1,199	30	1,169
Prosecutor expense	2,000	539	1,461
Administrative	6,200	5,633	567
TOTAL CASH DISBURSEMENTS	221,218	203,840	17,378
EXCESS OF CASH RECEIPTS OVER (UNDER)			
CASH DISBURSEMENTS	\$ (58,488)	\$ 389	\$ 58,877



REHMANN ROBSON

Certified Public Accountants

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March 14, 2006

To the Board of Directors of the
Jackson Narcotics Enforcement Team
Jackson, Michigan

We have audited the financial statements of the Jackson Narcotics Enforcement Team for the year ended December 31, 2005, and have issued our report thereon dated March 14, 2006. Professional standards require that we provide you with the following information related to our audit.

Our Responsibility Under Auditing Standards Generally Accepted in the United States of America

As stated in our engagement letter dated January 18, 2006, our responsibility, as described by professional standards, is to plan and perform our audit to obtain reasonable, but not absolute, assurance that the statement of cash receipts and disbursements is free of material misstatement and are fairly presented in accordance with the cash basis of accounting, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America. Because an audit is designed to provide reasonable, but not absolute assurance and because we did not perform a detailed examination of all transactions, there is a risk that material misstatements may exist and not be detected by us.

As part of our audit, we considered the internal control of the Jackson Narcotics Enforcement Team. Such considerations were solely for the purpose of determining our audit procedures and not to provide any assurance concerning such internal control.

Significant Accounting Policies

Management is responsible for the selection and use of appropriate accounting policies. In accordance with the terms of our engagement letter, we advised management about the appropriateness of accounting policies and their application. The significant accounting policies used by the Jackson Narcotics Enforcement Team are described in Note 1 to the financial statements. No new accounting policies were adopted and the application of existing policies was not changed during the year. We noted no transactions entered into by the Jackson Narcotics Enforcement Team during the year that were both significant and unusual, and of which, under professional standards, we are required to inform you, or transactions for which there is a lack of authoritative guidance or consensus.

Accounting Estimates

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected. No significant accounting estimates were included in the account balances for the year ended December 31, 2005.

675 Robinson Road · P.O. Box 449 · Jackson, MI 49204 · Phone 517.787.6503 · Fax 517.788.8111 · www.rehmann.com

Audit Adjustments

For purposes of this letter, professional standards define an audit adjustment as a proposed correction of the financial statements that, in our judgment, may not have been detected except through our auditing procedures. An audit adjustment may or may not indicate matters that could have a significant effect on the Jackson Narcotics Enforcement Team's financial reporting process (that is, cause future financial statements to be materially misstated). We proposed no such audit adjustments.

Disagreements with Management

For purposes of this letter, professional standards define a disagreement with management as a matter, whether or not resolved to our satisfaction, concerning a financial accounting, reporting, or auditing matter that could be significant to the financial statements or the auditor's report. We are pleased to report that no such disagreements arose during the course of our audit.

Consultations with Other Independent Accountants

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to the governmental unit's financial statements or a determination of the type of auditor's opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

Issues Discussed Prior to Retention of Independent Auditors

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the Jackson Narcotics Enforcement Team's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

Difficulties Encountered in Performing the Audit

We encountered no difficulties in dealing with management in performing our audit.

This letter is intended for the use of the Board of Directors, management, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Very truly yours,

A handwritten signature in black ink, appearing to read "Lehmann Johnson", is positioned below the "Very truly yours," text.